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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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JEFF HATCH-MILLER - Chairman

WILLIAM A. MUNDELL

MIKE GLEASON

KRISTIN K. MAYES

BARRY WONG

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
JOHNSON UTILITIES COMPANY FOR AN
EXTENSION OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY FOR
WATER AND WASTEWATER SERVICE.

DOCKET NO. WS-02987A-05-0088

STAFF'S NOTICE OF FILING

At the hearing in this matter, Staff and the Applicant were directed to consider and discuss possible changes to the Ordering Paragraphs that might minimize difficulties associated with implementation of the Applicants request to substitute an Irrevocable Letter of Credit for the currently ordered performance bond. Staff and the Applicant have discussed possible changes, but have been unable to agree on a recommendation.

Accordingly, Staff hereby gives notice that it is filing its proposed changed Ordering Paragraph to implement a Letter of Credit alternative in the place of the currently ordered Performance Bond as Attachment 1 to the Notice of Filing. Staff is also submitting an amended proposed form of Letter of Credit that has been adjusted to conform with Staff's recommended Ordering Paragraph as Attachment 2 to the Notice of Filing. Staff understands that the Applicant may be providing a separate alternative for the consideration of the Administrative Law Judge.

RESPECTFULLY SUBMITTED this 10th day of October, 2006.

Arizona Corporation Commission
DOCKETED

OCT 10 2006

DOCKETED BY

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Christopher C. Kempley
Christopher C. Kempley
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
(602) 542-3402

1 AN ORIGINAL and thirteen (13) copies
2 filed this 10th day of October, 2006 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 COPIES of the foregoing mailed
8 this 10th day of October, 2006 to:

9 William P. Sullivan, Esq.
10 2712 North Seventh Street
11 Phoenix, Arizona 85006-1090
12 Attorneys for Diversified Water
13 Utilities, Inc.

14 Richard L. Sallquist
15 Sallquist, Drummond & O'Connor, P.C.
16 4500 South Lakeshore Drive
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18 Tempe, Arizona 85282
19 Attorneys for Johnson Utilities
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Roseann Osorio

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ATTACHMENT 1

STAFF'S PROPOSED ORDERING PARAGRAPH FOR LETTER OF CREDIT

That the Company shall docket copies of the Letter of Credit with the Commission's Docket Control, and provide the original Letter of Credit to the Director of the Utilities Division, in a form acceptable to the Director, which Letter of Credit shall provide that in the event the Commission finds that, as a result of a judgment occurring in the La Osa or Sonoran lawsuits the Company is not providing adequate service to its customers within the expansion area as set forth in this Decision, then and upon the occurrence of those events as certified by the Commission, the Commission may draw upon the Letter of Credit by directing the proceeds to be paid directly to the trust account of the interim operator designated by the Commission to be utilized for the operation of the Company for providing adequate service to the customers within the subject expansion area. The interim operator shall be required to use the proceeds of any funds drawn upon solely for the purpose as described in the interim operator's agreement with the Commission. Any excess funds existing at the time of termination of such an interim operator agreement shall be returned to the Company.

ATTACHMENT 2
STAFF'S PROPOSED LETTER OF CREDIT
IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____

Date _____

Arizona Corporation Commission (or designee's trust account) (Beneficiary)
1200 West Washington Street
Phoenix, AZ 85007

Gentlemen:

At the request of Johnson Utilities Company, L.L.C. dba Johnson Utilities Company ("Johnson") and the Arizona Corporation Commission ("Beneficiary"). We, National Bank of Arizona, have opened an IRREVOCABLE LETTER OF CREDIT in favor of The Arizona Corporation Commission (or designee) for \$500,000.

We warrant to you that all your drafts under this IRREVOCABLE LETTER OF CREDIT will be duly honored and paid to the Arizona Corporation Commission, or the trust account of its designee as identified in such draft upon presentation of a sight draft by only the Commission on us at:

National Bank of Arizona
Documentation Department AZ 7013
6001 N. 24th Street
Phoenix, Arizona 85016

on or before the expiration date or on or before any automatically extended date set forth below.

Except as stated herein, this IRREVOCABLE LETTER OF CREDIT is not subject to any condition or qualification and is our individual obligation which is in no way contingent upon reimbursement.

This IRREVOCABLE LETTER OF CREDIT is effective _____, _____ and expires on _____, but will be automatically extended without amendment for successive one-year periods from the current expiration date and any future expiration dates unless at least 60 days prior to expiration date we notify you by registered letter that we elect not to renew for such additional one-year periods. Such notification shall be to the attention of the Bond Department at the above address.

Unless otherwise expressly stated, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits, established by The International Chamber of Commerce Publication, applicable on the date of this Letter of Credit.

Very truly yours,

(Authorized Signature)

(Title)

(To be prepared on Bank Letterhead)